

Message Text

LIMITED OFFICIAL USE

PAGE 01 BERN 02004 01 OF 02 171624 Z

45

ACTION L-03

INFO OCT-01 EUR-25 ADP-00 JUSE-00 SEC-03 EB-11 COME-00

TRSE-00 XMB-07 FRB-02 OPIC-12 FTC-01 SS-15 NSC-10

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-12

PRS-01 RSR-01 /118 W

----- 091399

R 171540 Z MAY 73

FM AMEMBASSY BERN

TO SECSTATE WASHDC 7713

LIMITED OFFICIAL USE SECTION 1 OF 2 BERN 2004

E. O. 11652: N/ A

TAGS: ETRD, SZ

SUBJ: ANTITRUST CASE U. S. VS. IBM

SUMMARY: IBM OPERATING IN SWITZERLAND SINCE 1927 WHERE TODAY IT HAS 50.7 PERCENT SHARE OF MARKET. UNIVAC AND HONEYWELL NEXT MOST IMPORTANT COMPUTER FIRMS. SWISS COMPUTER INDUSTRY NOT SIGNIFICANT, AND NO INDICATION THAT HOST GOVERNMENT PLANNING TO ENCOURAGE AND/OR PROTECT IT. GENERALLY SPEAKING IBM ENJOYS GOOD REPUTATION. POSSIBILITY OF IBM DIVESTITURE, ACCORDING TO TRADE, WILL SERIOUSLY IMPERIL IBM'S COMPETITIVE POSITION, BENEFITTING PRINCIPALLY EUROPEAN COMPUTER INDUSTRY WHICH NOW PLANNING MERGERS, RATHER THAN OTHER US SUPPLIERS OF COMPUTER S. END SUMMARY.

1. IBM (SCHWEIZ) WAS INCORPORATED AND OFFICIALLY REGISTERED UNDER SWISS LAW AS A STOCK CORPORATION IN 1927 WITH A SHARE CAPITAL OF SF 50 MILLION. MANAGEMENT CONSISTS ENTIRELY OF SWISS NATIONALS BUT APPEARS TO HAVE LITTLE AUTONOMY IN FORMULATING BASIC BUSINESS POLICY. PRINCIPAL OFFICERS ARE WALTER F. HERZOG, PRESIDENT, AND HANS RUDOLF LUETHI, DELEGATE OF THE BOARD AND GENERAL MANAGER. ADMINISTRATIVE HEADQUARTERS ARE LOCATED IN ZURICH. REGIONAL SALES OFFICES ARE MAINTAINED IN BASEL, BERN, GENEVA, LAUSANNE, LUGANO, LUCERNE, ST. GALLEN AND ZURICH, ALL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BERN 02004 01 OF 02 171624 Z

UNDER SWISS MANAGEMENT. ONLY IBM ESTABLISHMENT HERE WITH U. S. NATIONALS IN TOP POSITIONS IS RESEARCH LABORATORY AT RUESCHLIKON NEAR ZURICH. UNDER THE NAME OF IBM WORLD TRADE REGION VII CORPORATION, IBM FURTHER MAINTAINS A SMALL STOCK CORPORATION IN GENEVA, CAPITALIZED AT SF 50,000.

2. OF THE SWISS COMPUTER MARKET, IBM CURRENTLY HOLDS A SHARE OF 50.7 PERCENT; UNIVAC 16.6 PERCENT; HONEYWELL 16.3 PERCENT; NCR 12.3 PERCENT; SIEMENS 1.2 PERCENT; CDC 1.1 PERCENT; AND OTHERS (INCLUDING NIXDORF) 1.8 PERCENT.

3. SWITZERLAND POSSESSES NO COMPUTER INDUSTRY OF IMPORTANCE. EXPORTS ARE INSIGNIFICANT AND, THEREFORE, NOT LISTED HERE. PRACTICALLY ALL COMPUTERS AND PERIPHERALS ARE IMPORTED. IN ANALYZING IMPORT FIGURES IT MUST BE REMEMBERED THAT A LARGE PORTION OF EDP EQUIPMENT IS IMPORTED BY US SUPPLIERS FROM THEIR SUBSIDIARY PLANTS IN WESTERN EUROPE. UNTIL 1971 SWISS FOREIGN TRADE STATISTICS LISTED IMPORTS OF COMPUTERS AND PERIPHERALS NOT SEPARATELY BUT TOGETHER WITH CASH REGISTERS AND CALCULATING MACHINES. ONLY ESTIMATES COULD THEREFORE BE PROVIDED FOR THE YEARS 1968 TO 1971. THE FOLLOWING TABLE SHOWS TOTAL SWISS COMPUTER AND PERIPHERALS IMPORTS AND IMPORTS OF EDP EQUIPMENT FROM PRINCIPAL SOURCES OF SUPPLY IN THE LAST FIVE YEARS IN MILLIONS OF DOLLAR:

	1972	1971	1970	1969	1968
TOTAL	101.2	75.7	72.4	67.3	64.0
US	40.2	24.8	30.0	27.9	26.5
WEST GERMANY		28.2	21.1	16.1	15.0
FRANCE	14.9	11.1	8.8	8.2	7.8
BRITAIN	10.8	8.0	7.3	6.8	6.5
ITALY	8.7	6.5	5.8	5.4	5.1

IMPORT TRADE IN EDP EQUIPMENT IS NOTABLY FREE FROM ANY TARIFF BARRIERS AND OTHER RESTRICTIONS. AD VALOREM DUTY RATES ON COMPUTERS AND COMPUTER RELATED EQUIPMENT ARE AMONG THE LOWEST IN THE SWISS TARIFF SCHEDULE FOR INDUSTRIAL PRODUCTS AND AMOUNT TO MERELY 0.82 PERCENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BERN 02004 01 OF 02 171624 Z

4. THE SWISS GOVERNMENT HAS NO POLICY EITHER FOR ENCOURAGING AND PROTECTING THE VERY MINOR DOMESTIC COMPUTER INDUSTRY OR FOR FAVORING OR DISCRIMINATING SPECIFIC THIRD COUNTRY SUPPLIERS. IT CONSIDERS THE COMPANIES ESTABLISHED IN SWITZERLAND ADEQUATE FOR COVERING LOCAL REQUIREMENTS AND SEES NO NEED FOR INTERFERENCE IN A FREE AND SATISFACTORY MARKET SITUATION. EVEN IF SWITZERLAND

HAD A MORE IMPORTANT COMPUTER INDUSTRY IT IS MOST UNLIKELY
THAT THE GOVERNMENT WOULD TAKE SPECIAL MEASURES TO PROTECT OR
PROMOTE IT.

5. SWISS REACTIONS TO IBM ANTITRUST CASE HAVE BEEN DIVIDED.
PRESS REPORTS IN THE LARGER DAILIES WERE STRICTLY FACTUAL AND
STRAIGHTFORWARD. REACTIONS IN TRADE AND INDUSTRIAL CI
E E E E E E E

ADP000
LIMITED OFFICIAL USE

PAGE 01 BERN 02004 02 OF 02 171630 Z

45
ACTION L-03

INFO OCT-01 EUR-25 ADP-00 JUSE-00 SEC-03 EB-11 COME-00

TRSE-00 XMB-07 FRB-02 OPIC-12 FTC-01 SS-15 NSC-10

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-12

PRS-01 RSR-01 /118 W
----- 091409

R 171540 Z MAY 73
FM AMEMBASSY BERN
TO SECSTATE WASHDC 7714

LIMITED OFFICIAL USE SECTION 2 OF 2 BERN 2004

TO OTHER US COMPUTER SUPPLIERS. PRINCIPAL BENEFICIARY OF IBM
DIVESTITURE WOULD BE THE EUROPEAN COMPUTER INDUSTRY WHOSE
SEVERAL COMPANIES ARE AT THIS MOMENT PLANNING FAR- REACHING
MERGERS
DIRECTED SPECIFICALLY AGAINST IBM. NOTHING WOULD DELIGHT THESE
FIRMS AND THEIR GOVERNMENTS MORE THAN AN IBM BREAKUP. IN THIS
CONTEXT IT MUST BE REMEMBERED THAT SOME OF THE MAJOR EUROPEAN
COMPUTER MANUFACTURERS HAVE FOR YEARS PROFITED FROM EXTENSIVE
SUPPORT FROM THEIR NATIONAL GOVERNMENTS IN THE SHAPE OF DIRECT
SUBSIDIES AND RESTRICTIVE PROCUREMENT POLICIES. ALTHOUGH SWISS
COMPUTER USERS ARE NOT ALWAYS ENTIRELY HAPPY WITH IBM THEY CLAIM
OTHER SUPPLIERS PROVIDE EVEN LESS SATISFACTORY SERVICE. LIKE NO
OTHER FIRM IBM, THEY STATE, EXUDES AN AURA OF SOLIDITY AND SUCCESS
AND DESPITE ITS SHORTCOMINGS IBM IS ACKNOWLEDGED HERE TO BE
UNDISPUTEDLY AND DESERVEDLY A MARKET LEADER. ITS VERY SIZE
GUARANTEES STABILITY AND A CONTINUED PRESENCE IN THE COUNTRY.
CUSTOMERS LOOK TO IBM NOT ONLY AS A RELIABLE SOURCE OF SUPPLY
FOR HARDWARE BUT AS A DEPENDABLE ASSISTANT FOR SOLVING PROBLEMS.
SWISS WOULD WELCOME INDIVIDUAL, LIMITED COURT ACTIONS SUCH AS
THE 1972 DECISION BY A GERMAN COURT (STUTTGART LANDESGERICHT)
OBLIGING IBM TO CONTINUE SERVICING A COMPUTER WHICH HAD BEEN
MODIFIED BY THE INCORPORATION OF EQUIPMENT FROM ANOTHER SUPPLIER,

I. E. ITEL CORP.

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 BERN 02004 02 OF 02 171630 Z

7. SWISS CARTEL LAW PERMITS MARKET DOMINATION BY ONE FIRM SO LONG AS COMPANY DOES NOT RESTRICT COMPETITION BY UNFAIR MEANS AND ATTEMPT TO KEEP OUT NEWCOMERS. DAMAGES MAY BE AWARDED AGAINST CARTELS OR MONOPOLIES TO COMPANIES WHICH PROVE THEY HAVE BEEN HURT BY MALPRACTICES IN VIOLATION OF CARTEL LAW. VIOLATORS WILL ALSO BE PROSECUTED BY THE AUTHORITIES EVEN THOUGH COMPLAINTS MAY NOT HAVE BEEN FILED BY INDIVIDUALS OR COMPANIES OR DAMAGES MAY NOT YET HAVE BEEN SUFFERED BY OTHERS.

8. SO FAR AS EMBASSY CONCERNED, PARAS 1-5 AND PARA 7 COULD BE MADE PART OF PUBLIC RECORD.
PERCIVAL

LIMITED OFFICIAL USE
NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BERN02004
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730548/aaaajkkq.tel
Line Count: 190
Locator: TEXT ON-LINE
Office: ACTION L
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 28 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28-Sep-2001 by rowellE0>; APPROVED <03-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980219
Subject: ANTITRUST CASE U. S. VS. IBM
TAGS: ETRD, SZ
To: L
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005